

# New Zealand Equity Monthly October 2023

Business sentiment generally positive after New Zealand election result

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13 November 2023

## New Zealand to have new government following October general election

In one of the most significant changes surrounding New Zealand's equity market in recent years, the general election held on 14 October delivered a change of government after the centre-right National Party won out over the incumbent, centre-left Labour Party. National Party leader, Christopher Luxon, is now set to be New Zealand's next prime minister. However, given that the result brought it a total of just 48 seats in New Zealand's 122-seat parliament, the National Party looks likely to lead a coalition with ACT New Zealand and the New Zealand First Party as its partners. The incoming, right-leaning coalition will mark a shift away from the Labour Party, which traditionally prioritises areas such as public services, education, and healthcare. In contrast, the National Party cites lower taxes and rewarding hard work among its core values. In terms of its likely coalition partners, ACT New Zealand advocates for reducing the role of government and increasing the role of free markets, while New Zealand First's founding principles include putting New Zealand and New Zealanders first.

## Building-exposed stocks among expected beneficiaries of change

Overall business sentiment has been generally positive after the election result. On the sector level, the result has been favourable for the aged care sector and building-exposed names. This partly reflects expectations for a roll-back of property investor taxes coupled with tax policies seen to be positive for property investors and for building. For example, the National Party has called for the full reinstatement of interest deductibility for rental property owners, which the Labour government previously removed. In addition, the National Party intends to cut the applicable period for the bright-line test, under which sellers of residential properties they have owned for less than a certain period pay income tax on gains from the sale, back down from ten years to two years. The change in government could also be beneficial for the agriculture sector given the National Party's friendly stance towards farmers.

## Uncertainty over environmental policy among potential negatives

On the other hand, the election result has thrown up some uncertainties over the future of New Zealand's environmental policy. Whereas the outgoing Labour Party had set out a number of environmental commitments including a 12-point plan to increase renewable electricity generation, the National Party is not generally known for its environmental policies. We will continue monitoring the direction the coalition is likely to take on the environment.

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